

Message Text

UNCLASSIFIED

PAGE 01 SEOUL 06690 101320Z

ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 /089 W

-----070280 102243Z /65

R 100817Z AUG 77

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 5639

INFO AMCONSUL HONG KONG

AMEMBASSY TOKYO

UNCLAS SEOUL 6690

HONG KONG FOR FINATT

E.O. 11652: N/A

OAGS: EFIN, KS

SUBJECT: NEW MEASURES TO REDUCE FOREIGN BORROWINGS

1. MINISTRY OF FINANCE ANNOUNCED AUGUST 10 THAT SWAPS FOR LOCAL CURRENCY WITH THE BANK OF KOREA BY FOREIGN BANKS WERE FROZEN AT THE JULY 14 LEVEL OF \$300 MILLION. THE RATIONALE GIVEN FOR THIS MEASURE WAS THE NEED TO COUNTER MOUNTING INFLATIONARY PRESSURES RESULTING FROM LARGE INCREASE IN THE MONEY SUPPLY DUE TO INFLUX OF FOREIGN EXCHANGE. MINISTRY OFFICIALS ADDED THAT THE MEASURE WAS TEMPORARY AND WILL BE EFFECTIVE UNTIL CURRENT INFLATIONARY TRENDS ABATE. RESULT OF ACTION WILL BE TO RESTRICT ANY EXPANSION OF WON CREDITS BY FOREIGN BANKS TO LOCAL ENTERPRISES.

2. U.S. BANKERS DO NOT APPEAR AT THIS TIME OVERLY CONCERNED WITH THIS ACTION. IT APPEARS THAT THE LOWERING OF INTEREST RATES ON FOREIGN CURRENCY LOANS BY AN AVERAGE OF 0.25 PERCENT EFFECTIVE AUGUST 6 WILL PROVIDE MORE DIFFICULTIES FOR THEM. NEW RATES FOR LOANS ONE TO THREE YEARS ARE LIBO RATE PLUS UNCLASSIFIED

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0.75; OVER SIX MONTHS LIBO RATE PLUS 0.25 AND OVER THREE MONTHS LIBO RATE PLUS 0.125.

3. ONE BANKER HAS INFORMED US HE HAD PREVIOUSLY BEEN ADVISED BY MOF OFFICIAL THAT A SWAP FREEZE WOULD BE A "GENTLEMAN'S AGREEMENT" EFFECTIVE UNTIL AFTER CHUSAK FESTIVAL (LATE SEPTEMBER) IN ORDER TO RESTRAIN LIQUIDITY AT A TIME

OF SEASONALLY LARGE GROWTH IN MONEY SUPPLY.
STERN

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CURRENCY CONTROLS, INTEREST RATES
Control Number: n/a
Copy: SINGLE
Sent Date: 10-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977SEOUL06690
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770288-0639
Format: TEL
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770876/aaaacmkt.tel
Line Count: 64
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 5cbb305d-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
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Review Content Flags:
Review Date: 26-Oct-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1645261
Secure: OPEN
Status: NATIVE
Subject: NEW MEASURES TO REDUCE FOREIGN BORROWINGS
TAGS: EFIN, KS
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/5cbb305d-c288-dd11-92da-001cc4696bcc
Review Markings:
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